The Voice of America's Broadband Providers

November 15, 2018

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte* Communication: WC Docket Nos. 10-90, 14-58, 07-135, and CC Docket No. 01-92

Dear Ms. Dortch:

On November 14, 2018, Mike Jacobs and the undersigned of ITTA spoke via teleconference with Preston Wise of the Office of Chairman Pai and on November 15, 2018, Ken Pfister of Great Plains Communications, Wendy Fast of Consolidated Companies of Nebraska, and Mike Jacobs and the undersigned of ITTA met via teleconference with Sue McNeil, Suzanne Yelen, Alex Minard, Ted Burmeister, and Talmage Cox of the Wireline Competition Bureau regarding the Notice of Proposed Rulemaking (NPRM) in the above-captioned proceedings.[1]

During those discussions, we addressed the level of buildout that should be required should the Commission increase funding for current A-CAM program participants. More specifically, we discussed the level of funding that would be required should the Commission decide to increase the buildout obligations to 25/3 Mbps for eligible locations that are fully funded at a maximum of $200/month per location. At the current funding level of $146.10/month per eligible location, A-CAM program participants in the lowest density zone (less than 5 locations per square mile) are required to build to 25/3 Mbps for 25 percent of eligible locations by the end of the 10-year term of the program, A-CAM companies in the medium density zone (5-10 locations per square mile) are required to build to 25/3 Mbps for 5 percent of eligible locations and A-CAM companies operating in the highest density zone (more than 10 locations per square miles) are required to build to 25/3 Mbps in 75 percent of eligible locations by the end of the support term.[2]

ITTA acknowledges the policy benefits of increasing the number of locations that will receive 25/3 Mbps service by the end of the current A-CAM support term. It is apparent, however, that increasing A-CAM companies' obligations to build to 25/3 Mbps will dramatically

[1] *Connect America Fund, et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29 (Mar. 23, 2018).

[2] *Connect America Fund, et al.*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33, ¶ 25 (Mar. 30, 2016) (Report and Order).

increase their deployment costs.[3] It has been suggested that A-CAM companies accepting an offer of additional funding of up to $200/month per location be obligated to build to 25/3 Mbps for all fully-funded locations at the end of a support term of an additional ten years.[4] We have calculated that there would be an aggregate shortfall in incremental support to meet the 100 percent 25/3 Mbps buildout obligation over the additional ten year term of over $1.54 billion for A-CAM companies in the lowest density zone. The aggregate shortfall in incremental support in the medium density zone would be more than $544 million and the shortfall in the highest density zone would be approximately $540 million. It is highly probable that the overwhelming majority of participating A-CAM companies would decline an offer of additional support to $200/location under those terms and the goal of substantially increasing 25/3 Mbps deployment would fail.

ITTA maintains that the terms of any offer of additional support must reflect the costs of deployment in each density zone. As explained in the attached analysis, ITTA has calculated an appropriate level of increased 25/3 Mbps deployment for each of the three density zones in return for increasing support to $200/month per location for an additional ten years. For each, ITTA calculated a break even point, i.e. the percentage of 25/3 Mbps buildout for fully funded locations where the weighted average cost per location to deploy at 25/3 Mbps (as determined using A-CAM costs) is met by the support level that would be received over the additional ten year term. For the lowest density zone, the break even point is 50.31 percent; for the medium density zone, the break even point is 64.76 percent; and for the highest density zone the break even point is 85.04 percent. ITTA therefore urges the Commission to adopt a voluntary offer for current A-CAM companies that provides for support of $200/month per location for at least an additional ten year term in return for 25/3 Mbps buildout for fully funded locations of 50 percent, 65 percent, and 85 percent for the lowest, medium, and highest density zones respectively.

Adoption of the economically-rational buildout requirements urged by ITTA would allow current A-CAM companies a reasonable opportunity to increase their 25/3 Mbps deployment and likely would lead to acceptance of the offer by a substantial number of A-CAM companies, thereby maximizing the goal of increasing 25/3 Mbps service in high-cost areas across the country. Should all current A-CAM companies accept the offer as structured by ITTA, a total of over 390,000 locations would have access to 25/3 Mbps service by the end of the support term.[5]

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[3] It also bears noting that increasing the 25/3 Mbps buildout obligations in return for support of $200/location arguably changes the terms of the original offer established by the Commission in the March 2016 Report and Order creating the A-CAM program and agreed to by companies participating in the program. There, the Commission established deployment obligations for the three density zones predicated on a funding level of $200/location and acknowledged that should the level of per-location support have to decrease based on demand for model-based support, deployment obligations would be reduced consistent with the support reduction.

[4] A-CAM companies would receive support at $200/location for the remaining eight years of the original ten year term plus an additional two years for a total of twelve years.

[5] As the attached analysis shows, 78,592 locations in the lowest density zone, 61,730 locations in the medium density zone, and 250,460 locations in the highest density zone would be required to be built out to 25/3 Mbps should the Commission increase support to $200/location and adopt the break even 25/3 Mbps buildout percentages proposed by ITTA.

This represents an increase of over 100,000 locations[6] that would receive 25/3 Mbps service over the number of locations that would receive 25/3 Mbps service should the commission increase the level of support to $200/location but retain the current 25 percent, 50 percent and 75 percent 25/3 Mbps buildout requirements for the three density zones.

It has been further suggested that should a 25/3 Mbps buildout requirement of less than 100 percent be adopted as part of a voluntary offer to existing A-CAM companies of $200/month per location, the lower buildout percentage should apply only for those locations that were fully funded at $146.10/location and those locations that are fully funded at between $146.10/location and $200/location should have a 100 percent 25/3 Mbps buildout obligation. The Commission should reject this suggestion since to adopt it would differently treat similarly-situated companies and would likely lead to lower overall 25/3 Mbps buildout because some companies may reject the offer. A-CAM companies in the same density zone could receive offers with different 25/3 Mbps buildout obligations based solely on the number of locations with costs between $146.10 and $200 they have.

Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,

/s/

Genevieve Morelli
President

Attachment

cc: Nick Degani
Preston Wise
Sue McNeil
Suzanne Yelen
Alex Minard
Ted Burmeister
Talmage Cox

[6] 44,292 locations in the lowest density zone, 18,516 locations in the medium density zone, and 38,123 locations in the highest density zone would be required to be built out to 25/3 Mbps should the Commission increase support to $200/location but retain the current 25/3 Mbps buildout percentages for each density zone.

ACAM Support and Buildout at $146.10 and $200

									8	2	
A	B	C	D	E	F=D*E	G	H	I=G-C	J=I*Input	K= G*Input	L=J+K
# of Cos.	Density Zone	Annual Support @ $146.10	# of Fully Funded Locations @ $146.10	25/3 Buildout Pct @ $146.10	25/3 Buildout Obligation@ $146.10	Annual Support @ $200	# of Fully Funded Locations @ $200	Incremental Change in Annual Support	8 Yrs. Of Increased Support	2 Additional Yrs. of Support at $200	Total Incremental Support
72	Low	$ 220,683,380	137,197	25%	34,299	$ 264,660,831	156,227	$ 43,977,451	$ 351,819,605	$ 529,321,662	$ 881,141,268
63	Med	$ 93,083,193	86,427	50%	43,214	$ 104,441,131	95,323	$ 11,357,937	$ 90,863,499	$ 208,882,261	$ 299,745,760
82	High	$ 176,729,283	283,116	75%	212,337	$ 188,231,740	294,526	$ 11,502,458	$ 92,019,663	$ 376,463,481	$ 468,483,144
217	Total	$ 490,495,856	506,740		289,850	$ 557,333,702	546,076	$ 66,837,846	$ 534,702,767	$ 1,114,667,404	$ 1,649,370,172

Low Density Analysis

A	B	C	D=Calc	E=D*Col H above	F= E- Col F above	G= Calc	H= F * G
# of Cos.			Proposed 25/3 Buildout Pct at $200/Loc	Proposed 25/3 Buildout Obligation @ $200/Loc	Change in 25/3 Buildout Obligation @ $200/Loc	Wtd Avg CapEx per Location using Econ Life of 24.3 yrs	CapEx Required to Meet Chg in 25/3 Buildout Obligation
72	*Break Even Buildout % ---->*		***50.31%***	*78,592*	*44,292*	*$ 19,894*	*$ 881,141,268*

Medium Density Analysis

A	B	C	D=Calc	E=D*Col H above	F= E- Col F above	G= Calc	H= F * G
# of Cos.			Proposed 25/3 Buildout Pct at $200/Loc	Proposed 25/3 Buildout Obligation @ $200/Loc	Change in 25/3 Buildout Obligation @ $200/Loc	Wtd Avg CapEx per Location using Econ Life of 20.8 yrs	CapEx Required to Meet Chg in 25/3 Buildout Obligation
63	*Break Even Buildout % ---->*		***64.76%***	*61,730*	*18,516*	*$ 16,188*	*$ 299,745,760*

High Density Analysis

A	B	C	D=Calc	E=D*Col H above	F= E- Col F above	G= Calc	H= F * G
# of Cos.			Proposed 25/3 Buildout Pct at $200/Loc	Proposed 25/3 Buildout Obligation @ $200/Loc	Change in 25/3 Buildout Obligation @ $200/Loc	Wtd Avg CapEx per Location using Econ Life of 18.7 yrs	CapEx Required to Meet Chg in 25/3 Buildout Obligation
82	*Break Even Buildout % ---->*		***85.04%***	*250,460*	*38,123*	*$ 12,289*	*$ 468,483,144*